Business Briefs

International Trade

EIR Forecast: U.S. subsidized by trade

Independently gathered data on the U.S. economy for the LaRouche-Riemann model, highlighted in *EIR*'s Quarterly Economic Report this month, shows unit output 4.3% higher in 1983 than in 1982 (against 7% higher according to the Federal Reserve).

The analysis of the foreign subsidy to the U.S. economy during 1982, 1983 and 1984 shows that the physical pipeline of the American goods-producing sector depended upon "free" imports drawn increasingly from the developing sector.

LaRouche-Riemann analysis was used to re-create the trajectory of the economy without the increased trade-subsidy during 1983; the increase in subsidy for each year was deducted from net surplus, with significant results:

In 1982, the subsidy amounted to $90 billion, rising to $132.6 billion in 1983, and to a projected $243.5 billion in 1984. Without the subsidy, U.S. output was down nearly 3%.

The *EIR* Quarterly Report, consistently the most accurate analysis and forecast since its inception in the last quarter of 1979, is available for $1,000; $250 to subscribers.

Debt Bomb

SELA head hits creditor 'recolonization'

Sebastian Alegrett, head of the Latin American Economic System (SELA), denounced on June 8 what he called the "process of recolonization proposed by some of the countries of the North"—the idea that Ibero-American nations should pay their debt with public and private equity. These schemes "will not be accepted by the Latin American subcontinent, which is carrying out efforts to stop an international financial collapse," he said.

"The current recolonization, will lead to the denationalization of all Latin American industry," he warned. Those hoping that they will end up taking over the "steel industries, the telephones, or the airlines" of Ibero-America are engaging in wishful thinking.

"Latin American countries are passing from the phase of very serious assertive calls to that of action." He praised the "extraordinary fluidity" shown by the Latin American countries in coordinating actions on the debt.

In the name of SELA, Alegrett gave his support to the June 21-22 debtors meeting in Cartegena. "It is evil to speak of awards and punishments," he said of a U.S. Federal Reserve and IMF scheme to pick apart the debtors' cartel by "rewarding good debtors. . . . It is a matter of each country paying within its possibilities. Decisions such as that taken by Bolivia are not taken capriciously but because of a reality which has been imposed on them. . . . This situation could become generalized unless a settlement is reached to avoid this outcome. . . ." The debt question is "political, not economic," he added.

International Credit

Bolivia makes debt moratorium official

Bolivian Minister of Planning Ernesto Aranibar announced June 9 that the international banks have now been duly and officially informed of Bolivia's decision to postpone by four years the payment of both interest and principal on the national debt. A telex message to this effect, he reported, had been sent at the end of last week to the 128-bank consortium, led by Bank of America, which constitutes Bolivia's foreign creditors.

Backing the government's move, Bolivia's major trade union organization, the COB, began organizing for a "regional trade union conference" to take place at the end of July in La Paz. The conference is aimed at seeking joint actions by the trade unions of the the Southern Cone against the IMF.

Gustavo Fernandez Saavedra, Minister of Foreign Relations, emphatically denied rumors that Bolivia is being boycotted by the Group of Seven Latin American nations. "The boycott would totally contradict Latin America's spirit of solidarity. Some countries might have a more advanced position, and others a more moderate posture, depending on the circumstances. Consequently, it is necessary that the solidarity efforts of the continent take into consideration the situation of each particular country; however, there's absolutely no possibility of either a boycott or isolation concerning Bolivia."

Saavedra made his statement after a meeting in Brasilia with Foreign Minister Saraiva Guerreiro; he arrived there from Buenos Aires where he met Foreign Minister Dante Caputo. Both meetings discussed the issues that will be dealt with at the June 21-22 debtors' summit in Cartagena, Colombia.

Currency Rates

U.S. official reports 1986 monetary conference

A senior U.S. official—probably Paul A. Volcker or a top Treasury official—told the press in London June 11 that it is likely that a world monetary conference will be held in 1986 or 1987, and that studies for the conference are already under way, to be completed by mid-1985.

The unnamed American official stated that the conference will focus on ending the system of floating exchange rates which has been in effect since the U.S. went off the gold reserve standard in 1971. The conference has been endorsed by French President François Mitterrand.

"Ending the system of floating rates" refers to a plan by the Swiss banking community and their allies to end the U.S. dollar's hegemonic role in world trade. Last

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week, Markus Lusser, the number-three man at the Swiss National Bank, called for American banks to sell their bad paper at 20% to 50% of face value. The conference is to establish a new exchange rate for the dollar at far below present values.

East Bloc Trade

Moscow economic summit plans more war buildup

On June 12, Konstantin Chernenko opened the first summit meeting of the East bloc economic organization, the Council for Mutual Economic Assistance (CMEA or Comecon), to be held in 15 years. The Comecon includes the Soviet satellite states of Eastern Europe, and Cuba, Vietnam, and Mongolia.

While the agenda for the summit has not been made public, Western commentators expect that Moscow will demand higher contributions from her satellites to finance the war mobilization, and at the same time insist on curbing economic ties with the West.

Inflation

Margaret Thatcher to back hyperinflation?

British Prime Minister Margaret Thatcher has been regularly meeting with Lord Harold Lever, the former brains of the Harold Wilson Labour Government, and the author of several plans for hyperinflating out of the debt crisis, according to London sourçes. "The Bank of England, for its part, is dithering—they're desperately anxious to avoid hurting the British banks which are in much more trouble than they had been willing to admit," a source close to Lever reported.

"More and more debtors quit the game, or threaten to, or quit the game as it's being played. Playing out the hard line has incalculable consequences. Who would allow the five top U.S. banks to go bust? The Fed has to print money," explained a director of the free-trade-oriented Trade Policy Research Center in London.

International Finance

Bundesbank chief calls for debtor austerity

The Bundesbank's number two man, Helmut Schlesinger, gave a speech in Zurich on June 14, stating that "the debtor nations must lower their living standards to what level they can reach by themselves and use their exports not only to pay for imports, but also to meet their debt service payments."

Schlesinger stated that he was "not worried so much of the danger of a collapse of the international financial system," but rather by the possibility of "excess lending to LDCs" by the banks. He warned against a new, strong expansion of credit to developing countries."

To achieve such a credit-boycott against the Third World, Schlesinger recommended the establishment of "a common control mechanism over the Euromarkets," which another Bundesbank source revealed is a proposed minimum reserve requirement on the activities of Eurodollar banks, and a series of other proposals aimed at bringing the markets under central-bank control. As far as the banks are concerned, Schlesinger added, "They are prepared to take in losses" and provision their losses. The IMF's role "cannot be overestimated." It has proven more than essential, even if Third World countries "misunderstand it, reject it, and even, yes, hate it and damn it," since it prevents them from "covering up the real problems with ever-growing motion of the price spiral."

A "new phase of long-term consolidation" must emerge now, the central banker concluded, "even if this means uncomfortable consequences for the banks' profit and loss accounts."

Briefly

● **A U.S.** official at the London Economic Summit said in a press briefing that the only economics offered by the participants was "Snimog: sustained, non-inflationary market-oriented growth." West German Economics Minister Count Lambsdorff, who delights in attacking the U.S. defense budget, quipped: "It's true that the U.S. economy is not quite straight. . . but it's solid—like the Leaning Tower of Pisa."

● **FRITZ** Leutwiler's surprise resignation from the Bank for International Settlements and Swiss National Bank is attributed by Geneva sources to his rejection of a Fed bail-out package for U.S. banks. "Fritz has had sharp words with the Fed on what he called the irrecoverability of loans." The London summmit decided on a debt-for-equity solution coupled with bail-outs. Leutwiler would prefer to let banks go under.

● **'CITICORPSE'** chairman Walter Wriston may have stolen David Rockefeller's title of "New York's dumbest banker" when he dumbfounded the British press June 13 by saying: "Latin American countries are making headway in their struggle to repay billions of dollars of overdue debt. . . . The hard facts show that there has been substantial progress in the whole situation. . . . The news is getting better and your stories are getting worse. . . . Mexico is an enormous success story. . . . Brazil is very close behind. . . ."

● **FED** chairman Paul Volcker told the Senate banking committee June 14 that the United States will soon be the world's biggest debtor. There is "rapid movement" toward "becoming a net debtor nation" due to "substantial and growing capital inflows" from abroad.